

<p align="center">2003-2004 ANNUAL REPORT</p>

ENTERPRISE FUNDS (CONT'D.)

Water Utility Fund

The Water Utility Fund supports the operations of the Municipal Water System, which provides water service to the North San José, Evergreen, Alviso, Edenvale, and Coyote areas. This fund is financed through user charges.

Water Utility Fund

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 19,435	\$ 19,576	\$ 141	0.7%
<i>Expenditure</i>	21,288	20,199	\$ 1,089	5.1%
<i>Fund Balance (est. *)</i>	6,975 *	6,996	\$ 21	0.3%

The positive revenue variance (\$141,000) is the result of higher than budgeted Water Sales collections (\$158,000), partially offset by lower than budgeted interest earnings (\$17,000).

Expenditure savings (\$1.1 million) primarily resulted in the Environmental Services Department Non-Personal/Equipment appropriation (\$955,000). The majority of this savings was the result of lower than budgeted water purchases, savings in vehicle replacements, and other non-personal/equipment savings. In addition, vacancies in the Environmental Services Department resulted in expenditure savings of \$117,000.

The positive ending fund balance variance (\$21,000) resulted from higher than estimated revenues (\$141,000) and expenditure savings (\$446,000), partially offset by a one-time correction to the ending fund balance to correctly account for the treatment of deposits (\$566,000).